

CANADIAN TIRE CORPORATION LIMITED

1971

forty fifth

ANNUAL REPORT



highlights

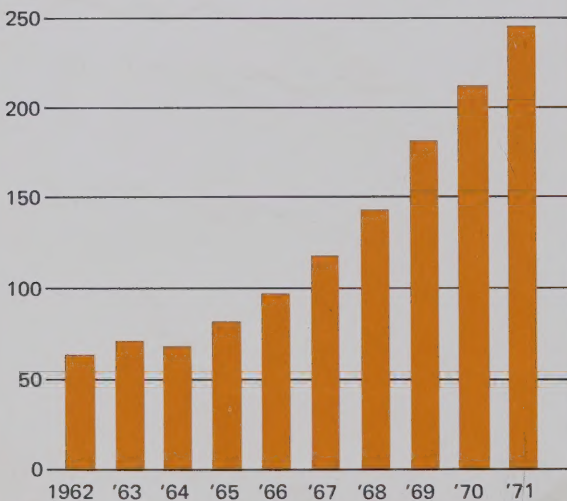


	1971	1970	Per cent Annual Change
Gross operating revenue	\$244,460,737	\$210,529,912	+16.1%
Net income	\$ 12,955,105	\$ 10,448,042	+24.0%
Per share*†	\$ 1.20	\$ 0.98	+22.4%
Cash flow	\$ 15,224,778	\$ 12,364,064	+23.1%
Per share*†	\$ 1.41	\$ 1.16	+21.6%
Dividends paid	\$ 2,165,803	\$ 1,928,348	+12.3%
Per share†	20 cents	18 cents	+11.1%
Shareholders' equity	\$ 83,773,947	\$ 71,488,948	+17.2%
Per share*†	\$ 7.74	\$ 6.72	+15.2%
Working capital	\$ 34,264,307	\$ 13,398,069	+155.7%
Capital expenditures	\$ 10,643,851	\$ 12,551,351	-15.2%
Number of stores at year-end	260	254	+2.4%
Number of shareholders	8,252	6,270	+31.6%

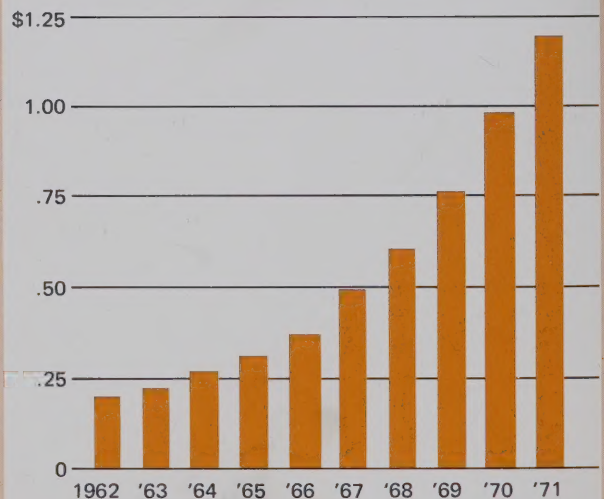
*Combined Class A and common — based on weighted average number of shares outstanding during the year.

†Adjusted for 3-for-1 split of May 13, 1970.

GROSS OPERATING REVENUE (in millions of dollars)



NET INCOME PER SHARE



98.8% of our 8,252 shareholders reside in Canada and own 99.7% of the total shares.



New St. Catharines store (shown in full on front cover) is one of three in the Niagara Peninsula city.

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BOARD OF DIRECTORS:

A. E. BARRON, *Chairman of the Board*,
Canadian Tire Corporation, Limited
President, Canadian General Investments, Limited

A. D. BILLES, *President*, Bilco Tire Limited,
Toronto, Canada—A Canadian Tire Associate Store
Owner

A. J. BILLES, *Past-President*,
Canadian Tire Corporation, Limited, Toronto, Canada

A. W. BILLES, *President*, 839 Yonge
Main Store Limited, Toronto, Canada
—A Canadian Tire Associate Store Owner

D. G. BILLES, *President*, Performance Engineering
Limited, Thornhill, Ontario

A. J. BROWN, *President*, A. J. Brown (Barrie)
Limited, Barrie, Ontario—A Canadian Tire
Associate Store Owner

R. J. HOBBS, *Vice President*,
Canadian Tire Corporation, Limited,
Toronto, Canada

R. LAW, Q.C., *Secretary*, Canadian Tire Corporation,
Limited, Toronto, Canada
Partner, Blackwell, Law, Treadgold & Armstrong,
Barristers and Solicitors

J. D. MUNCASTER, *President and Chief Executive
Officer*, Canadian Tire Corporation, Limited,
Toronto, Canada

A. L. SHERRING, C.A., *Executive*,
National Trust Company, Limited, Toronto, Canada

OFFICERS:

A. E. BARRON, *Chairman of the Board*
J. D. MUNCASTER, *President*
R. J. HOBBS, *Vice President*
W. R. DAWSON, *Vice President, Marketing*
J. W. KRON, *Vice President, Distribution*
R. LAW, *Secretary*
F. Y. SASAKI, *Treasurer*

REGISTRARS & TRANSFER AGENTS:

National Trust Company, Limited
Toronto, Montreal and Calgary

SOLICITORS:

Blackwell, Law, Treadgold & Armstrong

BANKERS:

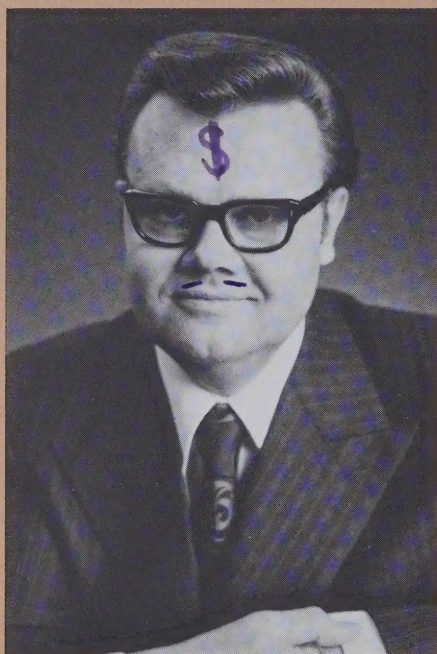
Canadian Imperial Bank of Commerce
Chicago City Bank and Trust Company

AUDITORS:

Deloitte, Haskins & Sells, *Chartered Accountants*

HEAD OFFICE:

837 Yonge Street, Toronto
Class A and Common shares listed on the
Toronto and Montreal Stock Exchanges.



J. D. MUNCASTER, *President
and Chief Executive Officer*



directors' report

For 1971, net income after taxes was \$12,955,000 or \$1.20 per share, compared with \$10,448,000 or 98 cents per share for 1970 — an increase of 24.0% in net income after taxes and an increase of 22.4% in earnings per share. Included in income for both years is the Company's equity in the earnings of Canadian Tire Acceptance Limited — a wholly-owned subsidiary. Net income after taxes of the Acceptance Company was \$204,000 in 1971 and \$196,000 in 1970. Also included in net income for both years was an extraordinary gain on the sale of property, amounting to \$242,000 in 1971 (2 cents per share) and \$390,000 in 1970 (3 cents per share).

Gross operating revenue was \$244,461,000 during 1971, an increase of 16.1% over the previous year. In our interim report covering the first half of 1971, reference was made to two factors limiting the increase in gross operating revenue. Firstly, the late spring selling season had a negative effect upon dealer re-order quantities of seasonal merchandise. Secondly, improved inventory management by our dealers resulted in restricting their increase in purchases from Canadian Tire to less than their increase in sales.

In the second half, with more normal weather conditions and an end to the relative dealer inventory reduction, shipments to dealers increased somewhat more than the growth in dealer sales to the public.

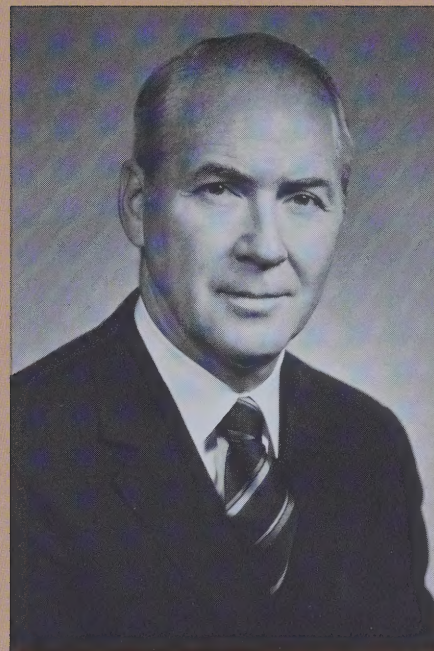
During 1971, for the tenth consecutive year, net income before taxes and extraordinary items increased as a percentage of revenue. This performance resulted largely

from reduced net operating costs as a percentage of revenue and occurred despite a minor decrease in earnings from gasoline operations.

Early in 1971, the Company's capital requirements for retail store expansion, distribution capacity and dealer financing for the years 1971 and 1972 were appraised. To fund these programmes and to ensure the adequacy of the Company's working capital position, \$15,000,000 of 8½% sinking fund debentures, dated June 1, 1971, were sold to supplement funds provided from operations. During 1971, capital expenditures amounted to \$10,644,000, largely for the provision of additional retail store capacity (see pages 13 & 16). In planning dealer financing requirements for 1971, it was anticipated that as much as \$5 million might be required for investment in loans to dealers secured by income debentures. With relatively easy credit conditions in the Canadian banking system, however, not only were the requirements for new dealers much reduced but a substantial number of loans made in earlier years were refinanced with the banks. Accordingly, rather than increasing by \$5 million, the long-term portion of income debentures actually decreased by some \$1.5 million. These factors have combined to result in an increase in working capital during 1971 of almost \$21 million, to a level of some \$34 million.

In 1972, it is expected that approximately \$12 million will be invested in additional retail store capacity. Construction of a major distribution centre, on a 90-acre site acquired in 1970 north of Toronto International

to the shareholders



A. E. BARRON, *Chairman of the Board*

Airport, will also commence in 1972. A substantial portion of the estimated completion cost of \$4.5 million will be invested by year end. Despite its record size, this capital programme will be financed from funds generated from operations and the allocated portion of the 1971 debenture financing.

During 1971, a primary objective of Canadian Tire Acceptance Limited was a substantial increase in the number of Canadian Tire credit card holders. As a result of the expenses involved in achieving this objective, net income of the subsidiary was restricted to a level little higher than the previous year, despite an increase of 22.3% in gross operating revenue. The benefits of the increased number of active accounts are expected to be reflected in 1972 and following years.

Profit sharing awards for 1971 amounted to more than \$1.2 million. The attitude of participation and involvement, fostered by this profit sharing and share ownership philosophy, remains one of the Company's most valuable assets. To our employees and to our Associates and their employees, we express our thanks for the achievements of 1971.

Following the rather lack-lustre performance of 1970, total retail sales in Canada — led by substantially higher sales of durable goods, including automobiles — increased by 9.2% in 1971. Despite Canadian Tire's minimum exposure to the rebound in sales of durables, sales of our

dealers to the public increased by 17.9% in 1971.

In looking ahead to the remainder of 1972, we expect consumer spending to remain strong. Personal incomes are rising rapidly, savings levels are high and consumer credit is freely available. These factors, combined with the psychological impact of a strengthening economy, are expected to ensure buoyant retail sales.

Against this background, we expect the 1972 performance of Canadian Tire to be strong, particularly in view of the substantial retail store capacity increases which occurred late in 1971. Our dealer sales performance — an increase of 26% in January and February — reinforces that belief.

On behalf of the Board,

Dated March 14, 1972.

A handwritten signature in blue ink, appearing to read "A. E. Barron".

Chairman of the Board

A handwritten signature in blue ink, appearing to read "D. H. McCaster".

President and Chief Executive Officer

CANADIAN TIRE CORPORATION LIMITED

Statement of Income and Retained Earnings

for the Year ended December 31, 1971 (with 1970 figures for comparison)

	1971	1970
GROSS OPERATING REVENUE	\$244,460,737	\$210,529,912
Deduct operating expenses:		
Cost of merchandise sold and all expenses except for the undernoted items	216,047,135	187,213,832
Depreciation and amortization	2,600,722	2,262,212
Employee deferred profit sharing and share purchase plans	1,238,676	1,182,359
Interest on long-term debt	807,780	6,957
Total operating expenses	220,694,313	190,665,360
	23,766,424	19,864,552
Interest income (Note 7)	1,348,658	886,949
Income before income taxes	25,115,082	20,751,501
Provision for income taxes	12,606,279	10,889,057
Income from operations	12,508,803	9,862,444
Equity in net income of subsidiary company (Note 2)	203,923	195,752
Income for the year before extraordinary gain	12,712,726	10,058,196
Gain on sale of property	242,379	389,846
NET INCOME FOR THE YEAR	12,955,105	10,448,042
RETAINED EARNINGS AT BEGINNING OF THE YEAR	48,517,915	39,998,221
	61,473,020	50,446,263
DEDUCT:		
Dividends paid:		
Class A shares	1,475,803	1,307,348
Common shares	690,000	621,000
	2,165,803	1,928,348
RETAINED EARNINGS AT END OF THE YEAR	\$ 59,307,217	\$ 48,517,915
Earnings per share before extraordinary gain	\$ 1.18	\$ 0.95
Earnings per share relating to gain on sale of property	0.02	0.03
EARNINGS PER SHARE (Note 8)	\$ 1.20	\$ 0.98

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

CANADIAN TIRE CORPORATION LIMITED

Statement of Source and Application of Funds

for the Year ended December 31, 1971 (with 1970 figures for comparison)

	<u>1 9 7 1</u>	<u>1 9 7 0</u>
FUNDS PROVIDED:		
Income from operations	\$12,508,803	\$ 9,862,444
Depreciation and amortization	2,600,722	2,262,212
Amortization of debenture discount and issue expense	12,393	—
Deferred income tax charge	(139,519)	(150,438)
Total funds provided from operations	<u>14,982,399</u>	<u>11,974,218</u>
Issue of 8½% Sinking Fund Debentures (Note 4)	14,575,108	—
Issue of Class A shares (Note 5)	1,495,697	9,824,965
Increase in mortgages payable	523,834	240,618
Reduction in mortgages receivable	—	7,392
Decrease in long-term portion of income debentures	1,549,866	—
Disposal of property and equipment	644,495	480,318
Total funds provided	<u>33,771,399</u>	<u>22,527,511</u>
FUNDS APPLIED:		
Additions to property and equipment:		
Land	2,325,093	3,984,219
Buildings	6,758,431	7,073,775
Fixtures and equipment	782,716	947,346
Automotive equipment	287,216	384,393
Leasehold improvements	490,395	161,618
	<u>10,643,851</u>	<u>12,551,351</u>
Increase in long-term portion of income debentures	—	4,459,182
Increase in mortgages receivable	95,507	—
Dividends paid:		
Class A shares	1,475,803	1,307,348
Common shares	690,000	621,000
Total funds applied	<u>12,905,161</u>	<u>18,938,881</u>
INCREASE IN WORKING CAPITAL FOR THE YEAR	20,866,238	3,588,630
Working capital at beginning of the year	<u>13,398,069</u>	<u>9,809,439</u>
WORKING CAPITAL AT END OF THE YEAR	<u>\$34,264,307</u>	<u>\$13,398,069</u>

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.

CANADIAN TIRE CORPORATION LIMITED

Balance Sheet

ASSETS	1971	1970
CURRENT ASSETS:		
Cash and bank deposit receipts	\$ 9,100,677	\$ 4,536,540
Short-term notes—at cost which approximates market value	17,941,740	—
Accounts and loans receivable	17,833,265	14,312,640
Due from subsidiary company	66,997	13,530
Merchandise inventories (Note 1)	26,022,723	25,221,072
Income debentures of Canadian Tire dealers — amounts due within one year	1,110,061	843,320
TOTAL CURRENT ASSETS	72,075,463	44,927,102
INVESTMENTS:		
Shares of subsidiary company not consolidated (Note 2)	1,794,825	1,590,902
Income debentures of Canadian Tire dealers — less amounts due within one year — at cost	6,690,861	8,240,727
TOTAL INVESTMENTS	8,485,686	9,831,629
PROPERTY AND EQUIPMENT — at cost (Note 3):		
Land	16,243,156	14,034,032
Buildings	45,800,483	39,432,646
Fixtures and equipment	6,518,458	5,737,042
Automotive equipment	1,487,020	1,240,897
Leasehold improvements	1,195,890	705,495
	71,245,007	61,150,112
Less accumulated depreciation and amortization	15,940,836	13,486,954
NET PROPERTY AND EQUIPMENT	55,304,171	47,663,158
OTHER ASSETS:		
Mortgages receivable	402,084	306,577
Deferred income tax charge	669,652	530,133
Debenture discount and issue expense — less accumulated amortization of \$12,393 (Note 4)	412,499	—
TOTAL OTHER ASSETS	1,484,235	836,710
TOTAL	\$137,349,555	\$103,258,599

The accompanying notes, on pages 8 & 9, are an integral part of these financial statements.



as at December 31, 1971 (with 1970 figures for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

	1971	1970
Accounts payable	\$ 18,131,798	\$ 13,356,142
Accrued liabilities and coupons outstanding	16,094,423	13,285,104
Income taxes payable	2,040,397	3,097,824
Notes payable	69,000	69,480
Loans payable to directors and shareholders	1,307,238	1,649,013
Mortgages payable — amounts due within one year	168,300	71,470
TOTAL CURRENT LIABILITIES	37,811,156	31,529,033

LONG-TERM DEBT (Note 4):

Mortgages payable, less amounts due within one year	764,452	240,618
8½% Sinking Fund Debentures, Series A	15,000,000	—
TOTAL LONG-TERM DEBT	15,764,452	240,618

SHAREHOLDERS' EQUITY:

Capital stock (Notes 5 and 6):

Authorized:

15,000,000 Class A non-voting shares without par value

3,450,300 common shares without par value

Issued and fully paid:

7,392,490 Class A shares (1970 — 7,338,591 shares) 23,574,542 | 22,078,845 |

3,450,000 common shares 892,188 | 892,188 |

24,466,730 22,971,033 |

Retained earnings 59,307,217 | 48,517,915 |

TOTAL SHAREHOLDERS' EQUITY **83,773,947** | **71,488,948** |

TOTAL **\$137,349,555** | **\$103,258,599** |

Approved by the Board: A. E. Barron, Director; J. D. Muncaster, Director

7



notes to the financial

1 Inventories

Merchandise inventories have been valued at the lower of cost or estimated net realizable value less normal profit margin.

2 Investment in Wholly-Owned Subsidiary Company (Canadian Tire Acceptance Limited)

	1971	1970
Preference shares—at cost . . .	\$1,200,000	\$1,200,000
Common shares—at cost . . .	101,031	101,031
Equity in accumulated earnings	493,794	289,871
	<u>\$1,794,825</u>	<u>\$1,590,902</u>

The investment in the subsidiary company, Canadian Tire Acceptance Limited, is accounted for on the equity method. As a result, the company's equity in the net earnings of the subsidiary has been included in the statement of income and retained earnings.

The assets and liabilities and income and expenses of Canadian Tire Acceptance Limited have not been consolidated with those of Canadian Tire Corporation, Limited since the operations of the subsidiary are not comparable to the operations of the parent company.

3 Property and Equipment

It is the company's practice to provide for depreciation under the declining-balance method at various annual rates (buildings — 5%, fixtures and equipment — 20% and automotive equipment — 30%), and to provide for amortization of leasehold improvements on a straight-line basis over the terms of the respective leases.

As at December 31, 1971, the company has commitments for acquisition of properties amounting to \$1,792,266.

4 Long-Term Debt

Mortgages Payable:

Mortgages have been assumed on the acquisition of eight properties. These mortgages mature at various times between 1972 and 1982 and bear interest at rates between 5% and 8½%.

Sinking Fund Debentures:

During the year, the company issued \$15,000,000 principal amount of 8½% Sinking Fund Debentures, Series A, (unsecured) due June 1, 1991, for \$14,625,000 less issue expense. Interest is payable half-yearly on January 15 and July 15, commencing January 15, 1972. The debentures are redeemable, in whole or in part, after January 15, 1972 at a premium of 8½% to January 14, 1973, decreasing at 1/2% annually thereafter. Under the Trust Indenture, a sinking fund must be provided to redeem \$500,000 of Series A Debentures at par in each of the years 1977 to 1991 inclusive. The Trust Indenture imposes certain restrictions on the company. To December 31, 1971, all of the conditions of the Trust Indenture have been met. The debenture discount and issue expense is being amortized on a straight-line basis over the term of the debentures.

5 Capital Stock

Issue of Class A Shares:

During 1971, the company issued 53,899 Class A non-voting shares for cash in the total amount of \$1,495,697. All of these shares were issued to, or for the benefit of, the employees and officers of the company, the employees of the subsidiary, and the employees of authorized dealers.

Conditions of Class A Shares:

The conditions attached to the Class A shares prohibit the issue of Class A shares unless either:

- such shares are being issued to, or for the benefit of, employees of the company, or employees of any subsidiary, or authorized dealers, or the employees of authorized dealers, pursuant to a scheme or plan in existence at such time, or
- the authorization of the holders of Class A shares shall first have been obtained.

Share Options:

Under the share option arrangement (see Note 6), certain senior officers, engaged directly in the management of the company, have been granted options to purchase Class A non-voting shares of the company. The options are exercisable at any time during a ten-year period from the date granted, as follows:

Date Granted	Expiry Date	Price	Number of shares
February 27, 1970	February 28, 1980	\$20.287	17,259
February 26, 1971	February 26, 1981	24.975	25,695
February 29, 1972	February 28, 1982	35.325	23,677

6 Remuneration (Directors and Senior Officers)

The aggregate direct remuneration paid, or payable, by the company to the directors and senior officers of the company, as a group, during the fiscal year ended December 31, 1971 was \$319,000 (1970 — \$257,068). In addition, with respect to the fiscal year ended December 31, 1971, pursuant to a share purchase arrangement and a share option arrangement authorized by resolution of the directors, the company:

- paid to certain senior officers, engaged directly in the management of the company, amounts calculated by reference to the earnings of the company for such fiscal year which, after provision for personal income tax, provided sums sufficient in the aggregate to pay the subscription price (\$213,677) of 5,444 Class A non-voting shares of the company, required by this arrangement to be subscribed for by such senior officers, at the market value thereof as at February 29, 1972, namely \$39.25 per share, and
- granted to certain senior officers, engaged directly in the management of the company, options to purchase 23,677 Class A non-voting shares of the company at a price of \$35.325 per share, being 90% of the market value thereof as at February 29, 1972, such options to be exercisable at any time up to February 28, 1982, at which time they expire.

DELOITTE, HASKINS & SELLS

Offices across Canada and associated firms throughout the world Chartered Accountants

ROYAL TRUST TOWER • P.O. BOX 283, TORONTO-DOMINION CENTRE, TORONTO 111, ONTARIO

To the Shareholders of
Canadian Tire Corporation, Limited:

We have examined the balance sheet of Canadian Tire Corporation, Limited as at December 31, 1971 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Haskins & Sells

March 7, 1972.

Auditors.

It is presently proposed that the share purchase arrangement and share option arrangement will be continued in the future, and may be extended to certain other senior officers of the company from time to time, engaged or to be engaged, directly in the management of the company. Also with respect to the fiscal year ended December 31, 1971, the company paid to the Trustees of the Canadian Tire Deferred Profit Sharing Plan for the benefit of senior officers, amounts determined on the same basis as for other employees of the company.

7 Interest Income

Interest income is comprised of the following:

	1971	1970
Income debentures	\$ 540,230	\$352,886
Short-term investments and bank deposit receipts	442,387	72,182
Other	366,041	461,881
	<u>\$1,348,658</u>	<u>\$886,949</u>

8 Earnings Per Share

The earnings per share figures are calculated using the weighted average number of shares outstanding during 1970 and 1971, after giving effect to the subdivision of the common and Class A shares of the company on a three-for-one basis during 1970.

The exercise of the share options referred to in Note 5 would have no material effect on the reported earnings per share.

9 Guarantees

The company has guaranteed, unconditionally, the payment of short-term promissory notes issued, or to be issued, by Canadian Tire Acceptance Limited. As at December 31, 1971, the total amount of such notes, outstanding and subject to guarantee, was \$5,825,000. The company has arranged bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time. In addition, the company has guaranteed bank loans payable by Canadian Tire Acceptance Limited. As at December 31, 1971, the amount of such loans, outstanding and subject to guarantee, was \$313,500.

10 Leases

As at December 31, 1971, the company has minimum commitments (exclusive of taxes, insurance and other occupancy charges) for rental of properties under 19 leases with termination dates between 1973 and 1994. The minimum annual payments required in each of the next five years are as follows:

Year	Minimum Annual Rentals
1972	\$618,475
1973	516,641
1974	461,325
1975	452,575
1976	453,675



herbrooke store was one of six new locations in the Province of Quebec.

10-year comparative summary

(Dollar amounts expressed in thousands –
except per share earnings)



Y E A R

1971

INCOME STATISTICS

Gross operating revenue	\$ 244,461
Per cent annual change	16.1%
Income before taxes	\$ 25,115
Per cent of gross operating revenue	10.3%
Income taxes	\$ 12,606
Net income before extraordinary gain	\$ 12,713
Per cent annual change	26.4%
Net income including extraordinary gain	\$ 12,955
Earnings per share before extraordinary gain*	\$ 1.18
Earnings per share including extraordinary gain*	\$ 1.20
Provision for depreciation	\$ 2,601
Cash flow	\$ 15,225
Per share*	\$ 1.41
Dividends paid	\$ 2,166

BALANCE SHEET AND OTHER STATISTICS

Working capital	\$ 34,264
Capital expenditures	\$ 10,644
Fixed assets—net	\$ 55,304
Shareholders' equity	\$ 83,774
Per share*	\$ 7.74
Per cent return on shareholders' equity	15.5%
Number of shareholders — Class A	7,064
— Common	1,188
Number of Associate Stores	260
Number of gasoline stations	45

*Based on the weighted average number of shares during the year and adjusted for 5-for-1 split of July 12, 1966 and 3-for-1 split of May 13, 1970.



Store at 6112 Quinlan Road, Halifax, N.S. was enlarged and renovated in our continuous modernization programme.

1970	1969	1968	1967	1966	1965	1964	1963	1962
210,530	179,308	142,826	114,757	97,426	81,233	72,066	73,319	67,228
17.4%	25.6%	24.5%	17.8%	19.9%	12.7%	-1.7%	9.1%	18.7%
20,752	16,116	12,630	9,953	7,584	5,869	5,158	4,600	2,612
9.9%	9.0%	8.8%	8.7%	7.8%	7.2%	7.2%	6.3%	3.9%
10,889	8,491	6,648	5,077	3,891	3,035	2,660	2,365	1,353
10,058	7,734	6,008	4,923	3,655	2,834	2,498	2,235	1,259
30.0%	28.7%	22.0%	34.7%	29.0%	13.5%	11.8%	77.5%	-4.5%
10,448	7,852	6,008	4,926	3,681	2,891	2,514	2,238	1,707
.95	.75	.60	.50	.38	.29	.26	.23	.14
.98	.76	.60	.50	.38	.30	.26	.23	.19
2,262	1,881	1,346	1,048	879	852	844	870	897
12,364	9,570	7,350	5,906	4,622	3,602	3,389	3,146	2,809
1.16	.93	.74	.59	.47	.37	.35	.33	.31
1,928	1,170	899	761	584	497	452	442	427
13,398	9,809	11,617	6,878	5,896	7,580	6,365	5,252	3,317
12,551	10,049	6,922	4,655	3,931	1,715	1,129	1,390	3,299
47,663	37,464	29,565	23,989	20,440	17,387	16,523	16,238	15,719
71,489	53,144	45,622	34,143	28,683	24,903	22,508	20,446	17,677
6.72	5.15	4.57	3.44	2.95	2.57	2.33	2.13	1.93
14.6%	14.8%	13.2%	14.4%	12.8%	11.6%	11.2%	10.9%	9.7%
5,223	4,021	3,274	2,229	1,814	1,644	1,665	1,798	1,677
1,047	947	865	782	715	662	724	806	952
254	245	234	226	225	224	225	222	204
40	32	29	27	26	26	26	26	24



At year end, Canadian Tire became the largest occupant of a 21-store shopping centre in downtown Oshawa.

New *Ajax* location has triple the retail capacity of former premises in the same shopping centre.



New Oshawa store sets a record for size

Canadian Tire becomes the main occupant of an enclosed, 21-store shopping centre in Oshawa and triples store size in nearby Ajax

Canadian Tire's largest store outside the Metropolitan Toronto area — and second in size only to the central Yonge Street location — was opened in November, 1971 a few blocks from the city centre of Oshawa, Ontario.

The new Oshawa store has a total functional area of 69,066 square feet. Though somewhat larger than current requirements, the building provides ample room for future expansion and allows for a large area to be set aside for the test marketing of new products.

In moving to the new Oshawa premises, Canadian Tire became the largest occupant of Midtown Mall, an enclosed 21-store shopping centre. Other occupants of the mall include Dominion Stores and Shoppers' Drug Mart.

15-Bay Service Centre

A 15-bay service centre, with the latest in electronic equipment for mechanical repairs, is a feature of the Oshawa location. An attractive Canadian Tire gas bar is located at the entrance of the 650-car parking lot.

The largest one-store shipment of merchandise ever despatched from the Company's Distribution Centre in Toronto — 15 trailer loads — stocked the Oshawa store for the expected Christmas trade. Sales during the three-day opening promotion surpassed all previous records for such an event.

Ajax Store Triples in Size

Literally down the road — 10 miles from Oshawa — a similar and simultaneous relocation took place in Ajax. Here, Canadian Tire moved to a larger location at the main shopping centre, better than tripling its functional area (from 10,000 to 36,500 square feet). In both cases — Ajax and Oshawa — the space was previously occupied by another retailer with Canadian Tire taking over leases on favourable terms.

Sales results in both stores are ahead of the original estimates. The results obtained in these two locations will help to guide future decisions regarding Canadian Tire's involvement in shopping centre locations.



Oshawa gas bar is located in a 650-car parking lot.

Attractive signs point out the "one-stop" shopping aspect.



CANADIAN TIRE ACCEPTANCE LIMITED

Statement of Income and Retained Earnings

for the Year ended December 31, 1971 (with 1970 figures for comparison)

	1971	1970
GROSS OPERATING REVENUE (Note 3)	\$2,297,328	\$1,875,037
Operating expenses:		
Interest on borrowed funds	256,281	282,389
Provision for credit losses	447,733	332,994
Other	1,177,525	839,495
Total operating expenses	1,881,539	1,454,878
Income before income taxes	415,789	420,159
Provision for income taxes	211,866	224,407
NET INCOME FOR THE YEAR	203,923	195,752
Retained earnings at beginning of the year	290,902	95,150
RETAINED EARNINGS AT END OF THE YEAR	\$ 494,825	\$ 290,902

Statement of Source and Application of Funds

for the Year ended December 31, 1971 (with 1970 figures for comparison)

	1971	1970
FUNDS PROVIDED:		
Net income for the year	\$ 203,923	\$ 195,752
Depreciation and amortization	22,159	20,160
Total funds provided from operations	226,082	215,912
FUNDS APPLIED:		
Additions to:		
Office furniture and equipment	17,968	23,993
Leasehold improvements	15,982	32,908
Total funds applied	33,950	56,901
INCREASE IN WORKING CAPITAL FOR THE YEAR	192,132	159,011
Working capital at beginning of the year	1,512,574	1,353,563
WORKING CAPITAL AT END OF THE YEAR	\$1,704,706	\$1,512,574

The accompanying notes, on page 16, are an integral part of these financial statements.

CANADIAN TIRE ACCEPTANCE LIMITED

Incorporated under the Laws of the Province of Ontario

Balance Sheet as at December 31, 1971 (with 1970 figures for comparison)

ASSETS	1971	1970
CURRENT ASSETS:		
Cash	\$ 100	\$ 100
Accounts receivable	25,136	3,022
Charge account receivables (less allowance for credit losses, 1971 - \$343,607; 1970 - \$229,197)	8,701,600	6,545,682
Prepaid expenses	20,590	14,275
TOTAL CURRENT ASSETS	<u>8,747,426</u>	<u>6,563,079</u>
FIXED ASSETS — at cost:		
Office furniture and equipment	101,660	83,692
Leasehold improvements	60,167	44,185
	<u>161,827</u>	<u>127,877</u>
Less accumulated depreciation and amortization (Note 1)	71,708	49,549
NET FIXED ASSETS	<u>90,119</u>	<u>78,328</u>
TOTAL	<u><u>\$8,837,545</u></u>	<u><u>\$6,641,407</u></u>
 LIABILITIES AND SHAREHOLDERS' EQUITY	 1971	 1970
CURRENT LIABILITIES:		
Bank loan (Note 2)	\$ 313,500	\$ 105,000
Accounts payable	820,038	627,528
Income taxes payable	17,185	104,447
Short-term promissory notes (Note 2)	5,825,000	4,200,000
Due to parent company	66,997	13,530
TOTAL CURRENT LIABILITIES	<u>7,042,720</u>	<u>5,050,505</u>
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
200,000 5% non-cumulative, redeemable (at amount paid thereon), preference shares of a par value of \$10 each		
200,000 common shares of no par value		
Issued and fully paid:		
120,000 preference shares	1,200,000	1,200,000
100,000 common shares	100,000	100,000
	<u>1,300,000</u>	<u>1,300,000</u>
Retained earnings	494,825	290,902
TOTAL SHAREHOLDERS' EQUITY	<u>1,794,825</u>	<u>1,590,902</u>
TOTAL	<u><u>\$8,837,545</u></u>	<u><u>\$6,641,407</u></u>

Approved by the Board: B. R. Wilson, Director; J. D. Muncaster, Director

The accompanying notes, on page 16, are an integral part of these financial statements.

CANADIAN TIRE ACCEPTANCE LIMITED

BOARD OF DIRECTORS

A. E. BARRON
R. J. HOBBS
R. LAW
J. D. MUNCASTER
B. R. WILSON

OFFICERS

B. R. WILSON, President
J. D. MUNCASTER,
Vice President
R. J. HOBBS, Vice President
R. LAW, Secretary
F. Y. SASAKI, Treasurer

notes to the financial statements

1 Depreciation and Amortization Policy

It is the company's practice to provide for depreciation of office furniture and equipment under the declining-balance method at an annual rate of 20%, and to amortize the leasehold improvements on a straight-line basis over a period of five years.

2 Short-Term Promissory Notes and Bank Loan

The short-term promissory notes of the company are unconditionally guaranteed by its parent company, Canadian Tire Corporation, Limited. The parent company has available bank standby credit to cover any obligation which may arise under its guarantee of authorized notes outstanding from time to time. In addition, the parent company has guaranteed the bank loan of the company.

3 Revenue

Discounts on charge account receivables purchased from dealers are taken into revenue at the time the receivables are purchased. Customer accounts are maintained on a cycle-billing basis, and service charges are accrued each month on balances outstanding at the close of each cycle.

4 Remuneration (Directors and Senior Officers)

The total remuneration of directors and senior officers, as defined in The Business Corporations Act, (Ontario), was \$105,748 in 1971 (1970 — \$85,253).

AUDITORS' REPORT:

To the Shareholders of Canadian Tire Acceptance Limited:

We have examined the balance sheet of Canadian Tire Acceptance Limited as at December 31, 1971 and the statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 7, 1972.

Deloitte, Haskins & Sells,
Chartered Accountants



Hanover store was one of 16 which moved to new premises in 1971.

22 New Canadian Tire Stores Open in 1971

Of the 20 new locations built and two leased in 1971, six were added to our overall number of locations, while the remaining 16 represented replacements for outgrown or outmoded facilities in the same general market area. The year-end total was 260 stores, as compared to the corresponding 1970 figure of 254.

Stores built in new market areas included Elmira, St. Catharines South, Sudbury, Wawa (all in Ontario), Chicoutimi (Quebec) and Thompson (Manitoba).

Relocation and expansion took place in the following 16 centres:

ONTARIO — Ajax, Blenheim, Brampton, Chatham, Espanola, Georgetown, Hanover, Nipigon and Oshawa.

QUEBEC — Joliette, Rouyn, St-Georges, St-Jean, Sherbrooke and Valleyfield.

PRINCE EDWARD ISLAND — Summerside.

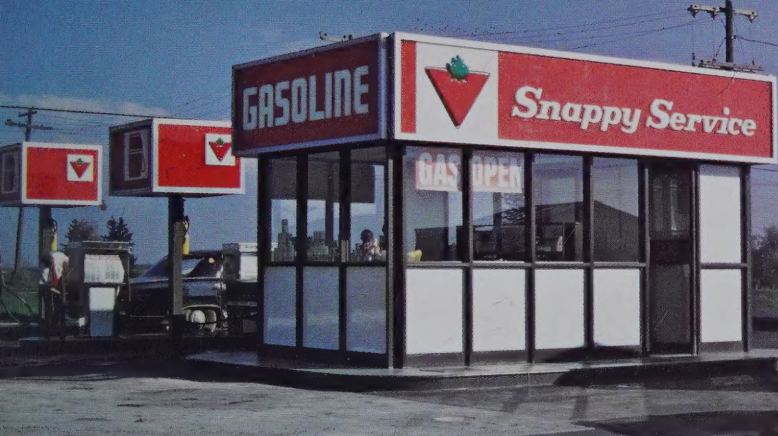
At year end, arrangements were completed for the acquisition of an existing facility in Saskatoon, which will extend Canadian Tire operations to the Province of Saskatchewan for the first time.

Six new *Pit Stop* gas bars were added to the Company's total in 1971 — in Chatham, Georgetown, Hamilton, Oshawa, St. Catharines and Sudbury, Ontario — bringing the total to 45.

Offices of Canadian Tire Acceptance Limited were refurbished during the year to improve utilisation of space in the three-storey building owned by the parent company in Welland, Ontario. A property adjacent to this building was acquired during 1971 for conversion to a parking area.

Direction of Growth

The 1971 capital expenditures programme for new construction was largely directed at medium and smaller-sized localities and mostly involved replacement or enlargement of existing facilities, as opposed to large-scale development of new markets. The Company has been following this course of action over the past three years in order to strengthen the quality and experience of its dealer group.



Georgetown gas bar is one of six such facilities built in 1971.

Rapid Growth in Average Store Size

The rapid growth in average store size during recent years is making the task of the Associate Dealer much more demanding in terms of management skills, and a great deal more interesting and exciting. The quality and skills of the applicants for Canadian Tire dealerships are at extremely high levels, giving great promise for the future growth of the Company.

The Company's policy of providing a six-month training programme before offering a new dealer his first store gives the programme additional strength. Then, only on the basis of proven performance does an applicant have the opportunity to accept a larger store in a larger market. The pursuit of this policy assures the Company of strong operators in its larger markets and retains the incentive for the individual dealer — allowing him to prosper in direct relation to his ability and desire to advance.

By emphasizing replacement of older stores and additions to others, your Company has been strengthening its position in its existing markets without sacrificing the momentum of our overall growth. This policy is intended to enable the Company to withstand competitive inroads in these markets. At the same time, the strength and experience of our dealer group has been growing — providing a strong base for more rapid new store expansion during the next few years.

Plans Completed for a Second Distribution Centre

As 1971 drew to a close, working drawings were finalized for the construction of a new, major distribution centre in Mississauga, near Toronto International Airport. Construction is planned to start on the 90-acre site this spring, with completion of the first phase of the facility in 1973. The building is expected to incorporate an automated, computer-controlled, high-rise storage system which will be unique to the distribution field in Canada.



New stores in familiar surroundings

Company's total retail capacity is dramatically increased in 1971 by relocating 16 stores in larger premises



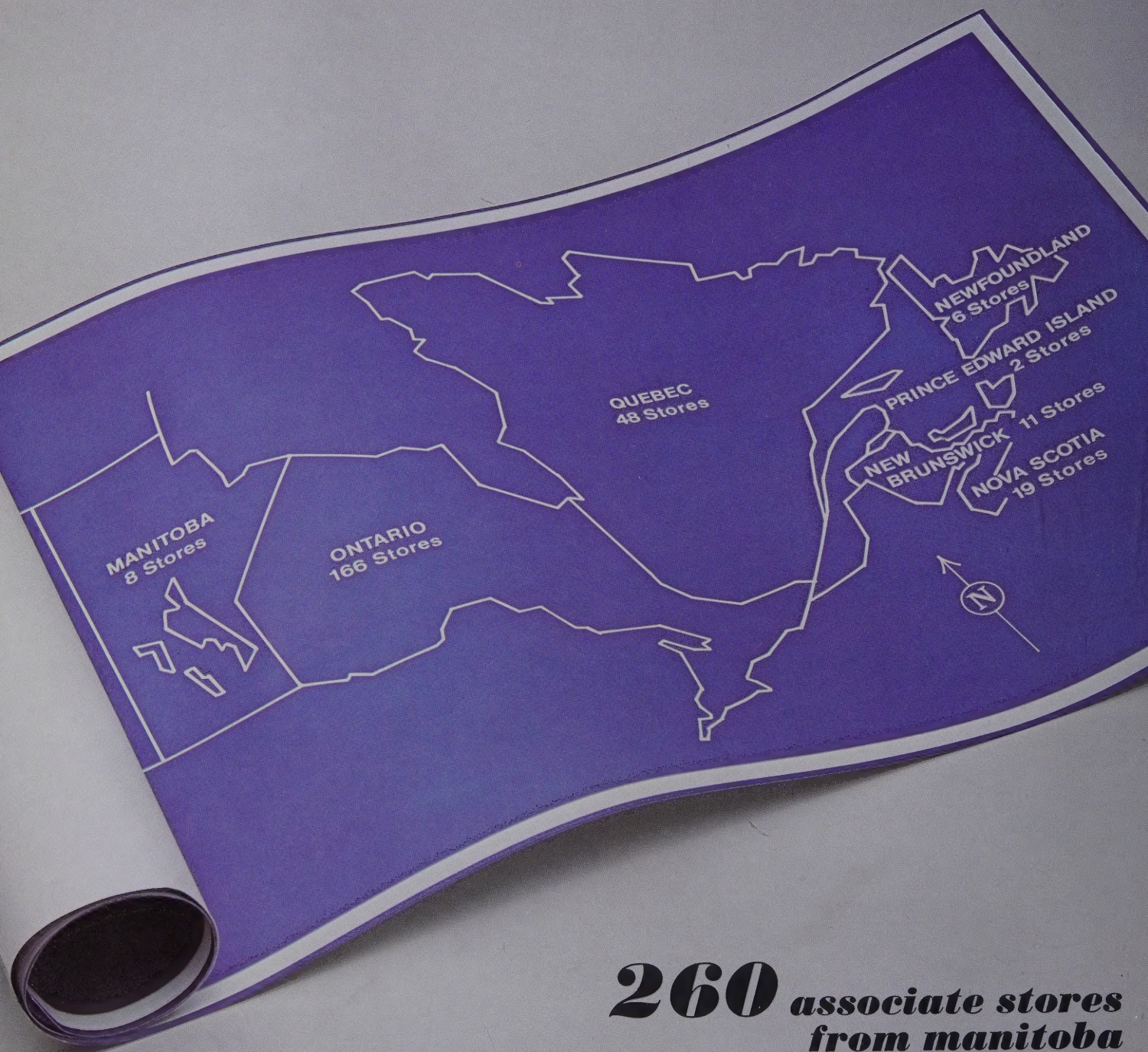
Georgetown store is located on the main approach to the town.



Orangeville store is located on a busy Ontario vacation route.

Blenheim store increased parking area by moving to town outskirts.





260 *associate stores
from manitoba
to newfoundland*

